UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

UNITED STATES OF AMERICA, Plaintiff, v. FREDERICK EARLE DEEN, III, Defendant.	)	**INFORMATION** CR 09-112 RHK (18 U.S.C. § 1343) (26 U.S.C. § 7201) (18 U.S.C. § 2)

The United States Attorney charges:

Count 1
(Wire Fraud)
18 U.S.C. § 1343

1. From in or about September 2005 through in or about July 2007, in the State and District of Minnesota and elsewhere, the defendant,

FREDERICK EARLE DEEN, III,

along with persons identified herein as "Individual B," "Individual C," "Individual D," and "Individual E," and other persons known and unknown to the United States, devised and intended to devise a scheme to defraud and to obtain money by means of false and fraudulent pretenses, in violation of 18 U.S.C. §§ 2 and 1343.

2. At all times relevant to this information, defendant was a loan officer and part-owner of Legacy Lending, Inc., a mortgage brokerage company licensed and regulated under the laws of the State of Minnesota. Individual B was a part-owner of Legacy Lending. Individual C was a Minnesota residential real estate

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appraiser licensed and regulated under the laws of the State of Minnesota. Individual D was a real estate agent licensed and regulated under the laws of the State of Minnesota. Individual E recruited individuals to act as "straw buyers" for real estate transactions in which mortgage loans were obtained for dollar amounts substantially in excess of the purchase price.

3. Defendant participated in a scheme whereby mortgage loans were obtained for dollar amounts substantially in excess of the purchase price of the property through the use of inflated property appraisals, concealed payments from mortgage loan proceeds were diverted to buyers of real properties and other individuals through the use of fraudulent underwriting and closing documentation, and the funds in excess of the purchase price were then misappropriated by the participants in the fraudulent scheme.

4. Defendant acted as the loan officer on most of the transactions, causing fraudulent loan application documentation to be provided to potential lenders for purposes of loan underwriting. The fraudulent documentation misrepresented the true terms of the proposed transaction. Among other things, the documentation: (1) falsely identified the purchaser of the property; (2) falsely indicated that the property would be "owner occupied;" (3) inflated the borrower's income and/or assets; (4) inflated the purchase price of the property; (5) inflated the appraised value of the

property; (6) failed to disclose to the lenders that funds in excess of the actual purchase price of the real property would be misappropriated by the co-conspirators; and (7) concealed payments that were to be made from the loan proceeds to defendant and Individuals B, C, and E. The false representations and omissions were material, because mortgage lenders rely on the actual purchase price paid by the buyer to assure that the loan is fully collateralized by real property of a sufficient value. Moreover, the lenders had loan standards that did not permit payments of loan proceeds to buyers.

5. Individual B owned Legacy Lending, the mortgage brokerage company through which most of the fraudulent mortgage transactions were conducted. In every transaction, in addition to concealed payments, defendant and Individual B received substantial fees through Legacy Lending for arranging the fraudulent transactions.

6. In order to support the falsely overstated purchase price of the real property, the participants in the fraud scheme obtained fraudulently inflated appraisals from Individual C. As a result, Individual C was paid funds, in excess of a standard appraisal fee, which had been derived from the fraud scheme.

7. Individual D acted as the buyer's real estate agent on multiple real property transactions. Individual D knew that the documents submitted to the lenders falsely identified the straw

buyers as the purchaser of these properties when in fact the actual purchaser of the properties was Individual E. Individual D was paid substantial commission payments on these fraudulent transactions.

8. Individual E recruited individuals to act as "straw buyers" for real estate transactions in which mortgage loans were obtained for dollar amounts substantially in excess of the purchase price. Individual E was a paid a portion of the funds misappropriated by the participants in the fraudulent scheme.

9. The defendant participated in the scheme in approximately 27 separate real estate transactions. In these transactions, worth approximately $18 million in total loan proceeds, there were at least $2 million in fraudulent, concealed payments made.

10. In order to effect the scheme, the defendant did knowingly transmit and cause to be transmitted in interstate commerce, by means of wire communications, certain signals and sounds, all in violation of Title 18, United States Code, Sections 2 and 1343. For example, on October 17, 2006, in furtherance of the fraud scheme, the defendant and others acting in concert with him obtained over $575,000 in mortgage loan financing for the purchase of a residence at XXXX Kagan Avenue Northeast, in Otsego, Minnesota, which was sent by wire transfer from WMC Mortgage, in Burbank, California, to All Metro Title, in Maple Grove, Minnesota, and out of which defendant and the participants in the fraud scheme

identified herein misappropriated at least $110,000 of funds in excess of the true purchase price of the property.

All in violation of Title 18, United States Code, Sections 2 and 1343.

Count 2
(Tax Evasion)
18 U.S.C. § 7201

11. During tax years 2006 and 2007, the defendant did knowingly and willfully attempt to evade and defeat his personal income taxes on approximately $150,000 in taxable income. In 2005, while employed by Legacy Lending, a business he co-owned, defendant directed that he be paid as an independent contractor, rather than as an employee through the company's payroll system. As a result, no taxes were withheld from defendant's paychecks and Legacy Lending did not generate a Form W-2 for 2006 to report his income to the IRS, nor did Legacy Lending report his income to the IRS using a Form 1099 or in any other way. Defendant also used a shell company, Accelerated Services, Inc., which he formed in 2006 in part to conceal the income he obtained from the mortgage fraud scheme described herein. Finally, for tax year 2006 defendant failed to report his income to the IRS, failed to file income tax returns, and failed to pay any income taxes. The tax loss resulting from defendant's evasion is at least $42,000.

12. During the calendar years 2006, the defendant had and received taxable income in excess of $150,000.00, and upon said

taxable income there was owing to the United States of America an income tax in excess of $40,000.00.

16. Well-knowing and believing the foregoing facts, the defendant,

FREDERICK EARLE DEEN, III,

in the State and District of Minnesota, did knowingly and willfully attempt to evade and defeat the income tax due and owing to the United States of America by failing to make income tax returns for tax year 2006 as required by law, by failing to pay to the Internal Revenue Service said income tax, and by engaging in the affirmative actions set forth above, particularly in paragraph 11, all in violation of Title 26, United States Code, Section 7201.

Dated:

FRANK J. MAGILL, JR.
United States Attorney

BY: TIMOTHY C. RANK
Assistant U.S. Attorney

BY: CHRIS S. WILTON
Assistant U.S. Attorney